

IV.C.1. Field Specialists Assistance

Introduction LMSB has a strong contingent of specialists with the training, experience, and expertise who can provide valuable assistance in developing tax shelter cases. This section discusses the following specialists:

- International Examiners (IE)
 - Financial Products Specialists
 - Economists
 - Engineers, and
 - Computer Audit Specialists (CAS).
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International Examiners The International Enforcement Program deals with the complex and sensitive area of international transactions between domestic taxpayers and their foreign affiliates. International examiners at the territory level examine a wide variety of taxpayers, from individuals to very large and complex corporations. They are trained to identify situations involving deviations from arm's length dealings, or the shifting of income and expense to or from a foreign affiliate or entity. The objective of the program is to encourage voluntary compliance in the international area through a vigorous but reasonable examination program.

When to Use an IE Agents should request the assistance of an International Examiner whenever they identify the above situations in their cases or any time their taxpayers have significant foreign transactions. Other issues commonly worked by IE's include:

- IRC § 482
- Foreign Tax Credit
- Subpart F income
- IRC § 936 (Possessions Tax Credit)
- Foreign Sales Corporations

Early involvement of international examiners is essential during the planning stages of examinations of taxpayers having substantial foreign transactions. Foreign records usually take longer to secure and should be requested early in the examination.

For additional information, refer to the International Examiners' web site at: <http://lmsb.irs.gov/international/if/if.htm>

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Financial Products Specialists

The Internal Revenue Service was heavily involved in the area of financial products in the late 1970's through the examination of commodity tax straddles. The financial marketplace has grown enormously since then, with new types of financial products being introduced on a regular basis. Because the area of financial products involves complex terminology, accounting, and tax law, the Service perceived a need to provide revenue agents with specialized training in this area. Currently, there are several financial products groups throughout the nation that are available to provide assistance on LMSB cases.

When to Use a Financial Products Specialist

There are many financial product issues present in large corporate audits. Many of these issues have foreign implications and require the assistance and cooperation of an international examiner. Team Managers and Team Coordinators should involve financial products specialists early in the examination to identify industry-related issues and to achieve uniform compliance on an industrywide basis [IRM Handbook 4.3.11, text 5.10.6(1)].

In addition, financial products examiners assist Appeals in the disposition of industry issues and Chief Counsel in the preparation of cases for trial. Numerous technical coordination reports detailing industry-wide tax abuses identified by financial products specialists have led to issuance of rulings, changes in official forms, and corrective tax legislation.

For additional information, refer to the Financial Products Specialists' web site at:

http://lmsb.irs.gov/hq/fs/financial_products/index.htm

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Economists IRS Economists provide background and expertise on the economic aspects of tax issues. They can assist in the development of issues requiring economic analyses, particularly those in the international area.

When to Use an Economist The role of an IRS economist in a Coordinated Industry examination is to provide specialized assistance to the examination team. The specialized knowledge that the economist brings to the examination allows the team to cope with the interpretive factors in many types of issues. Issue areas commonly worked by economists include:

- Valuation of intangibles in the following areas:
 - Brokerage services,
 - Closely held corporations,
 - Distribution and warehousing activities,
 - Executive compensation services,
 - Favorable financing arrangements,
 - Inventories,
 - Leaseholds,
 - Restricted securities,
 - Software, and
 - Subscription lists.
- Royalty and commission rate determinations,
- IRC § 482 allocation issues, including
 - Arms length pricing (comparability)
 - Value of functions performed,
 - Profits and profit ratios.
- Character of income,
- Expense sourcing, and
- Proportional profits in percentage depletion.

For additional information, refer to the Economists' web site at:
<http://lmsb.irs.gov/hq/fs/economist/index.htm>

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Engineers The function of the engineer is to provide specialized services to both Coordinated Industry and Industry cases in LMSB. These services are available through several engineering disciplines, including geologists, foresters, real estate appraisers, and general engineers under a key territory concept. Out-service contracting for valuation experts can be coordinated through this program.

When to Use an Engineer Engineers are used to analyze items such as:

- Research credit,
- Allocation of purchase price,
- Repairs,
- Depreciation allowance,
- Business Energy Credit,
- Rehabilitation Credit,
- Property classification under modified ACRS,
- Closely-held business valuations, and
- Non-cash contributions.

For additional information, refer to the Engineers' web site at:
<http://lmsb.irs.gov/hq/fs/engineers/index.htm>

Computer Audit Specialists The CAS is an experienced revenue agent who has completed an intensive computer-training program concentrating on large computer systems with many users that process voluminous amounts of data. Intensive classroom training at the University of North Texas is supplemented by on-the-job training that lasts almost a year and which is followed by advanced training. The CAS also receives an advanced course in statistical sampling. CPE courses for CASs are designed to keep them abreast of the latest trends in computers. While their primary activity is on Coordinated Industry cases, they are also assigned Industry cases and work on other selected projects.

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Four steps of CAS activity

The four basic steps of CAS activity on a Coordinated Industry case are:

- *Systems Analysis:*
 - Evaluate a taxpayer's electronic data processing system(s),
 - Determine accounting information audit trails,
 - Determine the best computerized audit techniques to use, based upon the records available, and
 - Serve as the audit team's expert on the taxpayer's computerized accounting system(s).

- *Record Evaluations:*
 - Evaluate existing machine sensible records of the taxpayer, and
 - Make recommendations on entering into a record retention limitation agreement with the taxpayer as provided for in Rev. Proc. 98-25.

- *Computer Applications:*
 - Execute computer applications as part of the examination planning process, and
 - Execute computer applications as required for specific issue or examination area development.

- *Statistical Sampling:*
 - Evaluate potential issues or examination areas that may be best suited to the application of statistical sampling techniques,
 - Develop sampling plans and execute statistical sampling, and
 - Serve as the team's statistical sampling expert and consultant.

For additional information, refer to the CAS web site at:

<http://lmsb.irs.gov/hq/fs/cas/index.htm>
